AT A GLANCE

Requested by the EMPL committee

Study in Focus: The ESF as a Mitigating Factor

BACKGROUND

The European Social Fund (ESF) is the European Union's (EU) **main financial instrument for supporting employment within EU Member States.** The ESF aims to promote full employment, improve work equality and productivity, and reduce social exclusion and regional employment disparities. For the period 2007–2013, the ESF allocated EUR 76.6 billion adding up to more than 10% of the EU budget, for the purpose of fostering balanced economic and social development.

During the 2008 economic and financial crisis, ESF intervention provided mitigating support to assist the European Economic Recovery Plan initiatives in Member States, including the Active Labour Market Policies. The scale and scope of ESF support in response to the crisis was rapid in terms of mobilisation and redirection of funding. The ESF intervention varied according to the needs and the initial role of the fund in national labour market policies.

FOCUS OF THE STUDY

The study European social fund policies as a mitigating factor during the crisis, produced by Fondazione Brodolini for the EMPL Committee, **assesses the response and reactivity of the ESF** in the face of the crisis using quantitative and qualitative evaluation methods. The analysis looks at the impact of the crisis on EU MSs and focuses on the seven most heavily affected ones in terms of unemployment and poverty rates. The study further gives policy recommendations to Member States and the European Commission to improve ESF capacity in reacting to cyclical variations in the labour market.

KEY FINDINGS

1. The impact of the crisis in the EU 28

EU Member States have experienced the effects of the economic crisis differently. However, **in all Member States unemployment increased. Overall poverty and social exclusion in the EU worsened.**

The main drivers of poverty and social exclusion are seen to be long-term unemployment, labour market segmentation, and wage polarisation. The **persistence of unemployment** (likelihood to remain unemployed after one year) increased during the crisis (38% of people who became unemployed in 2012 were still looking for a job in 2013). The number of **long-term unemployed** (without work for 12 months or longer) in 2013 almost doubled compared to the rate of 2008. **The youngest generation** experienced the crisis even more traumatically.

Based on analysis of their individual situation and according to geographical balance criteria **seven Member States were selected for in-depth examination: Greece, Cyprus, Ireland, Lithuania, Italy, Spain and Slovakia.**

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2. The impact of the crisis in the selected Member States

In all selected Member States the crisis sensibly impacted the labour market. Labour market participation increased in all except Cyprus where after an initial reduction it promptly recovered. **Employment rates** diminished and total unemployment increased in all, as did **long-term unemployment.** The surge in the share of young people not in education, employment or training resulted in a notable rise in the unemployment rates.

The worrying situation in the labour market had a strong impact on the living conditions of the population as material deprivation amplified in all selected Member States.

3. The ESF as mitigating factor during the crisis

Member States adopted different strategies **to counterbalance the negative effects of the crisis on the labour market through the ESF.** Some common actions were identified: provision of personalised-type support; promotion of self-employment and entrepreneurship; involvement of different actors. ESF reached out to the **target groups** that were most exposed to negative effects (long-term unemployed, young people, older workers, individuals at risk of poverty and social exclusion). An explicit **re-programming of ESF** to mitigate the crisis took place in a number of countries.

Actual contribution of the ESF largely depended on specific conditions of Member States, notably: ESF funding scale; ESF interventions targeting; seriousness of crisis effects.

Overall, the ESF during the 2007-2013 funding period is considered to have proven **flexible enough to respond to key challenges posed by the economic crisis.**

RECOMMENDATIONS

Member States should more carefully implement the ESF monitoring system to further improve the ESF capacity to respond promptly to cyclical economic variations. ESF Managing Authorities in Member States, who are the ultimate responsible for ESF implementation, should ensure the adequateness of the monitoring system and also ensure that possible adjustments are in line with the Europe 2020 strategy. By exploiting the enhanced monitoring, Member States can promptly adjust the interventions to the emerging needs of the most vulnerable groups so as to anticipate the need for greater resources and/or adjustments towards the actions that are proving to be more successful.

The European Commission should develop guidance on setting up monitoring systems ensuring reliability of data and homogeneity of indicators across Member States. Also it should conduct continuous data quality analysis to promote the quality of data collection. To enhance the flexibility of ESF the European Commission should seek to increase the use of pre-financing and milestone payments by ESF Managing Authorities of Member States.

The European Commission and Member States should be encouraged to promote the participation of social partners at EU level and in MSs in the monitoring and evaluation activities of the ESF.

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